

***MENTOR PUBLIC LIBRARY
LAKE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011





Dave Yost • Auditor of State

Board of Trustees
Mentor Public Library
8215 Mentor Avenue
Mentor, Ohio 44060

We have reviewed the *Report of Independent Accountants* of the Mentor Public Library, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mentor Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 4, 2013

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MENTOR PUBLIC LIBRARY
LAKE COUNTY, OHIO
AUDIT REPORT
For the Years Ended December 31, 2012 and 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Mentor Public Library, Lake County (the Library) as of and for the years ended December 31, 2011 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Mentor Public Library, Lake County as of December 31, 2011 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2013, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 2, 2013

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>All Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 1,822,512	\$ -	\$ -	\$ -	\$ 1,822,512
Library and Local Government Support	1,479,778	-	-	-	1,479,778
Intergovernmental	225,441	1,458	-	-	226,899
Patron Fines and Fees	118,199	-	-	-	118,199
Contributions, Gifts and Donations	3,070	-	-	-	3,070
Earnings on Investments	2,044	-	-	-	2,044
Miscellaneous	33,961	-	-	-	33,961
	<u>3,685,005</u>	<u>1,458</u>	<u>-</u>	<u>-</u>	<u>3,686,463</u>
Total Cash Receipts					
	<u>3,685,005</u>	<u>1,458</u>	<u>-</u>	<u>-</u>	<u>3,686,463</u>
Cash Disbursements:					
Current:					
Library Services:					
Public Services and Programs	1,181,142	1,298	-	-	1,182,440
Collection Development and Processing	874,212	-	-	-	874,212
Support Services:					
Facilities Operation and Maintenance	394,089	-	-	-	394,089
Information Services	277,139	6,838	-	-	283,977
Business Administration	616,197	-	-	-	616,197
Capital Outlay	-	4,140	-	222,722	226,862
Debt Service:					
Redemption of Principal	-	-	67,500	-	67,500
Interest and Other Fiscal Charges	-	-	14,069	-	14,069
	<u>3,342,779</u>	<u>12,276</u>	<u>81,569</u>	<u>222,722</u>	<u>3,659,346</u>
Total Cash Disbursements					
	<u>3,342,779</u>	<u>12,276</u>	<u>81,569</u>	<u>222,722</u>	<u>3,659,346</u>
Total Receipts Over/(Under) Disbursements	342,226	(10,818)	(81,569)	(222,722)	27,117
Other Financing Receipts / (Disbursements):					
Transfers-In	-	425	164,100	112,900	277,425
Transfers-Out	(277,425)	-	-	-	(277,425)
	<u>(277,425)</u>	<u>425</u>	<u>164,100</u>	<u>112,900</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)					
	<u>(277,425)</u>	<u>425</u>	<u>164,100</u>	<u>112,900</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64,801	(10,393)	82,531	(109,822)	27,117
Fund Cash Balances, January 1	<u>2,105,202</u>	<u>10,393</u>	<u>163,127</u>	<u>275,045</u>	<u>2,553,767</u>
Fund Cash Balances, December 31					
Committed	-	-	245,658	165,223	410,881
Assigned	276,721	-	-	-	276,721
Unassigned	1,893,282	-	-	-	1,893,282
	<u>1,893,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,893,282</u>
Fund Cash Balances, December 31	<u>\$ 2,170,003</u>	<u>\$ -</u>	<u>\$ 245,658</u>	<u>\$ 165,223</u>	<u>\$ 2,580,884</u>

The notes to the financial statements are an integral part of this statement.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>All Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 1,836,009	\$ -	\$ -	\$ -	\$ 1,836,009
Library and Local Government Support	1,588,833	-	-	-	1,588,833
Intergovernmental	223,568	1,177	-	-	224,745
Patron Fines and Fees	115,323	-	-	-	115,323
Services Provided to Other Entities	70	-	-	-	70
Contributions, Gifts and Donations	6,756	-	-	-	6,756
Earnings on Investments	3,275	-	-	-	3,275
Miscellaneous	13,785	33,524	-	-	47,309
	<u>3,787,619</u>	<u>34,701</u>	<u>-</u>	<u>-</u>	<u>3,822,320</u>
Cash Disbursements:					
Current:					
Library Services:					
Public Services and Programs	1,069,560	1,762	-	-	1,071,322
Collection Development and Processing	888,084	-	-	-	888,084
Support Services:					
Facilities Operation and Maintenance	327,270	-	-	-	327,270
Information Services	284,632	56,071	-	-	340,703
Business Administration	559,688	-	-	-	559,688
Capital Outlay	-	-	-	32,179	32,179
Debt Service:					
Redemption of Principal	-	-	65,500	-	65,500
Interest and Other Fiscal Charges	-	-	17,473	-	17,473
	<u>3,129,234</u>	<u>57,833</u>	<u>82,973</u>	<u>32,179</u>	<u>3,302,219</u>
Total Receipts Over/(Under) Disbursements	658,385	(23,132)	(82,973)	(32,179)	520,101
Other Financing Receipts / (Disbursements):					
Transfers-In	-	-	246,100	304,958	551,058
Transfers-Out	(526,100)	-	-	(24,958)	(551,058)
Advances-In	75,000	-	-	-	75,000
Advances-Out	-	(75,000)	-	-	(75,000)
	<u>(451,100)</u>	<u>(75,000)</u>	<u>246,100</u>	<u>280,000</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	207,285	(98,132)	163,127	247,821	520,101
Fund Cash Balances, January 1	1,897,917	108,525	-	27,224	2,033,666
Fund Cash Balances, December 31					
Restricted	-	10,393	-	-	10,393
Committed	-	-	163,127	275,045	438,172
Assigned	325,426	-	-	-	325,426
Unassigned	1,779,776	-	-	-	1,779,776
	<u>\$ 2,105,202</u>	<u>\$ 10,393</u>	<u>\$ 163,127</u>	<u>\$ 275,045</u>	<u>\$ 2,553,767</u>

The notes to the financial statements are an integral part of this statement.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mentor Public Library, Lake County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees appointed by the Mentor Board of Education. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant special revenue fund:

Special Revenue Fund – This fund is used to account for grants the Library receives from various organizations.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond and note indebtedness. The Library had the following significant debt service fund:

Note Debt Fund – This fund is used to account payment of notes that were issued in 2012 and 2011 for capital improvements to the Library’s facilities and purchase of property.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library and the following significant capital projects funds:

Building and Repair Fund – This fund is used to repair, improve, furnish and equip the Library.

Building Fund No.2 Fund – This fund is used to repair and improve the Reed House property.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the object level of control.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. Non-Spendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification would be used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2012	2011
Demand deposits	\$ 12,575	\$ 24,692
Cash on hand	980	980
Savings deposits	2,567,329	2,528,095
Total deposits	<u>\$ 2,580,884</u>	<u>\$ 2,553,767</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,662,000	\$ 3,685,005	\$ 23,005
Special Revenue	1,883	1,883	-
Debt Service	163,000	164,100	1,100
Capital Projects	112,900	112,900	-
	<u>\$ 3,939,783</u>	<u>\$ 3,963,888</u>	<u>\$ 24,105</u>

2012 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 4,025,426	\$ 3,896,925	\$ 128,501
Special Revenue	12,276	12,276	-
Debt Service	82,000	81,569	431
Capital Projects	306,232	226,057	80,175
	<u>\$ 4,425,934</u>	<u>\$ 4,216,827</u>	<u>\$ 209,107</u>

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,426,000	\$ 3,787,619	\$ 361,619
Special Revenue	40,385	34,701	(5,684)
Debt Service	246,100	246,100	-
Capital Projects	308,282	304,958	(3,324)
Total	<u>\$ 4,020,767</u>	<u>\$ 4,373,378</u>	<u>\$ 352,611</u>

2011 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 4,040,375	\$ 3,980,760	\$ 59,615
Special Revenue	73,908	59,577	14,331
Debt Service	83,100	82,973	127
Capital Projects	335,506	94,369	241,137
Total	<u>\$ 4,532,889</u>	<u>\$ 4,217,679</u>	<u>\$ 315,210</u>

Advances in and out are not required to be budgeted.

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Revenue. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

		Interest
	Principal	Rate
Library Facilities Notes	\$ 255,500	4.40 to 5.42%
Total	<u>\$ 255,500</u>	

The Library Facilities notes were for various improvements at the Library and for the purchase of property for Library expansion. The notes are being paid semi-annually over ten years.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

5. DEBT (Continued)

December 31:	Principal	Interest	Total
2013	\$ 70,500	\$ 10,446	\$ 80,946
2014	72,500	6,800	79,300
2015	22,500	4,455	26,955
2016	22,500	3,465	25,965
2017	22,500	2,475	24,975
2018-2019	45,000	1,980	46,980
Total	\$ 255,500	\$ 29,621	\$ 285,121

6. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, the Library's OPERS members contributed an amount equaling 10 percent of their gross salaries, respectively. The Library contributed an amount equal to 14 percent of participants' gross salaries, for each year. The Library has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Library also provides health insurance to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. The Library has not reduced coverages from last year.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mentor Public Library, Lake County, (the Library) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 2, 2013, wherein we noted the Library followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

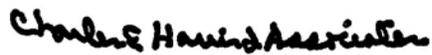
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
May 2, 2013

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ending December 31, 2010, reported no material citations or recommendations.



Dave Yost • Auditor of State

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LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 18, 2013**